

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 AGR-05 CEA-01 CIAE-00 COME-00

DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 GSA-01

ERDA-05 EUR-12 OES-03 NRC-05 /112 W

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R 271515Z AUG 75

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 1175

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 7487

E.O. 11652: N/A

TAGS: ETRD, EMIN, BR, US

SUBJECT: QUARTZ CRYSTAL/BERYL

REF: (A) STATE 144599; (B) STATE 158676;

(C) BRASILIA 4462

1. SUMMARY. DRAWING ON REFTELS, MINERALS OFFICER CALLED ON HECLITON SANTINI OF MINISTRY OF INDUSTRY AND COMMERCE TO DISCUSS QUARTZ CRYSTAL AND BERYL. ALTHOUGH SANTINI ACKNOWLEDGED THAT LACSA EXPORTS HAVE DIPPED SIGNIFICANTLY, HE SAID REASON IS NOT SO MUCH DUE TO NEW PRODUCTION IN OTHER COUNTRIES, BUT FROM OVERBUYING BY FOREIGN MANUFACTURERS IN 1974 WHICH RESULTED IN SLOW SALES THIS YEAR. SANTINI STATED THAT GOB IS STILL STUDYING POSSIBILITY OF ESTABLISHING A BERYLLIUM OXIDE PLANT BASED ON NEW PROCESS BEING DEVELOPED BY BRAZILIAN RESEARCHERS. OUR IMPRESSION IS THAT
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GOB PLANS TO CONTINUE ITS PRESENT QUARTZ

CRYSTAL POLICY BUT THAT A SIMILAR POLICY
RESTRICTING BERYL EXPORTS IS NOT IMMINENT.
END SUMMARY.

2. IN AUGUST 13 CONVERSATION, SANTINI GAVE
SHORT SHRIFT TO VIEW THAT QUARTZ CRYSTAL AND
BERYL TRADING IS COVERED UNDER GATT ARTICLE
XI:I. HE FRANKLY CONCEDED THAT THEY WERE SO
COVERED BUT STATED THAT MANY NATIONS,
INCLUDING U.S., DO NOT ALWAYS ADHERE TO THE
LETTER OF GATT. AS TO POSSIBLE ADVERSE
EFFECTS WHICH EXPORT QUOTAS MIGHT HAVE ON LEVEL OF
BRAZILIAN LASCA AND BERYL EXPORTS, SANTINI
NOTED THAT BRAZIL TRADITIONALLY HAS EARNED
LITTLE FROM THESE MINERALS, NOT MORE THAN
TWO MILLION DOLLARS ANNUALLY IN RECENT YEARS.
HE STATED THAT WORLD MARKET PRICES HAD HARDLY
CHANGED DURING THE PAST QUARTER CENTURY AND
PROBABLY HAVE EVEN DECLINED, SO HE SAID HE
COULD NOT SEE MUCH OF A LOSS FOR THE COUNTRY.
FYI: ANNUAL EXPORT QUOTAS FOR BERYL HAVE BEEN
IN EFFECT FOR SOME YEARS. THEY ARE SET BY
CNEN BUT ARE VERY FLEXIBLE AND NOT CONSIDERED
RESTRICTIVE, AS BRAZIL'S ACTUAL EXPORTS HAVE
BEEN MUCH LOWER THAN THE QUOTAS. END FYI.

3. ON OTHER HAND,SANTINI STATED, BECAUSE
BRAZIL IS STILL VIRTUALLY THE ONLY EXPORTER
OF LASCA NEEDED FOR WORLD'S CULTURED AND
FUSED QUARTZ INDUSTRIES, GOB CONCLUDED THAT
BY MAKING COST OF LASCA HIGHER TO FOREIGN
INDUSTRIALISTS AND CONTROLLING THE SUPPLY TO A
"REASONABLE" LEVEL, BRAZIL WOULD BE ABLE TO ESTABLISH
VIABLE MANUFACTURED QUARTZ INDUSTRY WHICH
OTHERWISE WOULD HAVE STOOD LITTLE CHANCE IN
COMPETITION AGAINST GIANTS LIKE U.S....'S SAWYER
RESEARCH PRODUCTS. SANTINI CONSIDERED GOB'S
QUARTZ POLICY SUCCESSFUL IN THAT REGARD AND
POINTED TO FACT THAT SAWYER, MOTOROLA AND
SEVERAL OTHER FIRMS ARE INTERESTED IN
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MANUFACTURING QUARTZ PRODUCTS IN BRAZIL USING
COUNTRY'S INEXPENSIVE LASCA. AS SECONDARY
MOTIVATION, FIRMS WOULD EXPECT TO BE ALLOWED
TO PURCHASE LASCA FOR THEIR FOREIGN PLANTS
OUTSIDE EXPORT RESTRICTIONS. WHILE GOB IS OF
COURSE NOT UNHAPPY WITH PROSPECT OF EARNING
MORE FOREIGN EXCHANGE FROM LASCA, IT IS
INDUSTRIALIZATION MOTIVE WHICH TRIGGERED

RESTRICTIVE ACTION, PRECISELY BECAUSE RAW MATERIAL WAS FOR SO LONG SO LOW-PRICED COMPARED TO FINAL PRODUCTS. SANTINI STATED FURTHER THAT EVEN IF OTHER COUNTRIES BEGIN PRODUCING LASCA (AND HE HAS SEEN NO EVIDENCE THAT ANY ARE), NO ONE WILL BE ABLE TO MINE IT AT A LOWER PRICE THAN THE "GARIMPEROS" (INDIVIDUAL PROSPECTORS) OF BRAZIL. THEREFORE, ONCE BRAZIL GETS ITS CULTURED AND FUSED QUARTZ INDUSTRIES OFF GROUND, IT SHOULD BE ABLE TO COMPETE EFFECTIVELY AGAINST ANYONE. SANTINI ALSO POINTED OUT THAT EVEN IF COUNTRIES SUCH AS MADAGASCAR AND ANGOLA DO PRODUCE LASCA, AND APART FROM THE POLITICAL TURMOILS WHICH MAY BE ENCOUNTERED IN DOING SO, IT IS REASONABLE TO ASSUME THAT THEY WILL SET THEIR OWN EXPORT PRICES IN LINE WITH BRAZIL'S, WHICH IS FAIRLY CERTAIN TO REMAIN THE DOMINANT PRODUCER.

4. ON BERYL, SANTINI STATED THAT BRAZIL WOULD HAVE EVEN LESS TO LOSE THAN ON LASCA. LAST YEAR'S BERYL EXPORTS OF 640 METRIC TONS EARNED \$246,000 F.O.B. GOB REALIZES ITS POSITION IS NOT AS STRONG AS ON QUARTZ, SINCE BRAZIL ACCOUNTS FOR ONLY ABOUT 60 PERCENT OF WORLD'S BERYL EXPORTS AND BRUSH-WELLMAN IS KNOWN TO HAVE LARGE BERTRANDITE RESERVES. NONETHELESS, KAWECKI REPORTEDLY NOW IMPORTS BERYL ORE FROM BRAZIL, AS DOES MITSUBISHI-LED JAPANESE CONSORTIUM AND FRANCE'S PECHINEY. EVEN BRUSH IS INTERESTED IN BUYING ORE FROM BRAZIL (SEE BELOW). ACCORDING TO SANTINI, KAWECKI AND OTHERS HAVE APPROACHED GOB ON POSSIBLY BUILDING LIMITED OFFICIAL USE

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BERYLLIUM OXIDE PLANTS IN BRAZIL. SANTINI STATED THAT A RESEARCH INSTITUTE IN GOVERNADOR VALADERES, MINAS GERAIS, IS TRYING TO DEVELOP A NEW PROCESS TO PRODUCE BERYLLIUM OXIDE. HE HAS BEEN INFORMED THAT THE RESEARCH IS PROCEEDING WELL BUT THAT MUCH WORK REMAINS TO BE DONE.

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TRSE-00 USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 GSA-01

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FM AMEMBASSY BRASILIA

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5. IN FEBRUARY OF THIS YEAR, BRUSH-WELLMAN VICE PRESIDENT NATHAN BASS VISITED RIO AND BRASILIA ON QUARTZ CRYSTAL BUSINESS (SAWYER RESEARCH IS A SUBSIDIARY OF BRUSH). WHILE IN BRAZIL, BASS INVESTIGATED BERYL SITUATION AND INDICATED THAT BRUSH MIGHT LIKE TO PURCHASE ORE FROM BRAZIL "IF PRICE IS RIGHT". BASS SUBSEQUENTLY SENT MINERALS OFFICER AND ARA/BR (JANINA SLATTERY) COPIES OF A LENGTHY REPORT DETAILING HIS CONVERSATIONS AND FINDINGS.

6. RE QUESTION RAISED PENULTIMATE PARA REFTTEL (B), WE SEE NO DIRECT CONNECTION BETWEEN GOB'S HOPES TO ESTABLISH A BERYLLIUM INDUSTRY IN BRAZIL AND THE FRG-GOB NUCLEAR AGREEMENT. NUCLEAR INITIATIVE CAME FROM NUCLEAR ENERGY COMMISSION (CNEN), CBTN (NOW NUCLEBRAS), AND MINISTER OF MINES AND ENERGY UEKI. QUARTZ CRYSTAL POLICY AND BERYL THINKING ARE LIMITED OFFICIAL USE

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EMANATING FROM MINISTRY OF INDUSTRY AND COMMERCE AND ITS SECRETARIAT FOR TECHNOLOGY,

WHICH ARE ANXIOUS TO SEE BRAZIL ADD AS MUCH INDUSTRIAL VALUE TO ITS MINERALS EXPORTS AS POSSIBLE.

7. COMMENT: REFTEL (B) STATES THAT REPORTS OF LASCA PRODUCTION IN HOT SPRINGS APPEAR EXAGGERATED AND THAT ARKANSAS GEOLOGICAL COMMISSION IS UNAWARE OF ANY LASCA OPERATION IN THE STATE. IN THAT CONNECTION, LASCA DEALERS IN RIO CONTINUE TO REPORT THAT ARKANSAS PRODUCTION IS ALIVE AND WELL. TWO OF OUR BRAZILIAN SOURCES HAVE ACTUALLY VISITED THE MINE AND WERE QUITE IMPRESSED.
CRIMMINS

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